



MATT FONG

Treasurer

State of California

September 12, 1996

The Honorable Pete Wilson
Governor of California
State Capitol
Sacramento, California 95814

Dear Governor Wilson:

In accordance with Government Code Section 12329, I am pleased to submit the biennial report detailing the activities and operations of the State Treasurer's office from July 1, 1994 through June 30, 1996. This year, the State Treasurer's office has accomplished the following:

Innovations to Reduce Costs to Taxpayers: We sponsored successful legislation authorizing the use of commercial paper notes (short term securities) thereby reducing the cost of state financing. In May of 1996, the Commercial Paper Program was implemented and it will allow the State to save millions of dollars in annual borrowing costs.

Safeguarding Taxpayers' Money: We have successfully sought legislation and initiated other activities to prevent an Orange County type of bankruptcy from recurring. Additionally, I approved a written investment policy for the Pooled Money Investment Account which emphasizes safety, liquidity and yield, in that order, for the investment of taxpayer money. Lastly, we successfully introduced legislation intended to curb potential abuses in Marks-Roos Bond Pools.

Improving Investor Relations: We have instituted the Investor Relations Program which is designed to improve communication between the State and its bondholders. This program has generated interest from investors.

Rating's Increase: I am pleased to announce that the State of California received credit rating upgrades from two leading credit rating agencies. The credit rating upgrades will save California taxpayers millions of dollars in debt service costs over the coming years.

Making Government More Accessible: We established the California Treasurer's Home Page on the Internet in November 1995. The site was established to provide public information and access to the Treasurer's office. In the interest of immediacy, we can now post information on the Internet and reach a wider audience.

Investment Earnings: The investment earnings of the Pooled Money Investment Account for fiscal years 1994-95 and 1995-96 totaled \$3 billion, despite the declining interest rates and the statewide impact of Orange County's bankruptcy.

Public Finance: A total of \$7.378 billion revenue bonds were sold. In addition \$2 billion in Revenue Anticipation Notes (RANs) were issued to meet the State's cash flow borrowing needs, and were paid off in June of 1996.

Cash Receipts: Cash receipts deposited for credit to the Treasurer's demand bank accounts, including agency receipts deposited through the State's Centralized Treasury System, totaled approximately \$458 billion during the 1994-95 fiscal year and \$432 billion during the 1995-96 fiscal year. During the same period, cash disbursements totaled approximately \$459 billion and \$432 billion, respectively.

This report provides further detail on the accomplishments and activities of the Treasurer's office.

Warmest regards,

Matt Fong
State Treasurer

Table of Contents

Innovations to Reduce Costs to Taxpayers

Commercial Paper	page 1
------------------------	--------

Safeguarding Taxpayers' Money

Background: The Orange County Bankruptcy	page 2
Response to Orange County: Accountability and Proper Oversight	page 2
Safety, Liquidity & Yield: The Priorities of Investing Public Money	page 4
Alterations to Marks Roos Pooling Act: Preventing Abuse	
Through Increased Disclosure	page 4
Investor Relations Program	page 5
Credit Rating Increases: A Sign of the Economic Recovery	page 5
Making Government More Accessible: Entering Cyberspace	page 6

The State Treasurer's Office

Historical View	page 7
Overview of Responsibilities	page 7
Office Structure	page 8
Organizational Chart	page 9

Cash Management

Introduction to Cash Management	page 10
Presort Deposits Program	page 11
Electronic Funds Transfer	page 11
Cash Receipts and Disbursements	page 12
Item Processing	page 12

Investments

Pooled Money Investment Account (PMIA)	page 13
Local Agency Investment Fund (LAIF)	page 15

Public Finance Division

Investor Relations Program	page 17
State General Obligation Commercial Paper Program	page 18
Debt Issuance Section	page 18
Interim Financing Section	page 19
Bondholder Services Section	page 20
Securities Clearance Section	page 20

Appendix

Analysis of Pooled Money Investment	
Account Portfolio 1994-95 Fiscal Year	page A1
Analysis of Pooled Money Investment	
Account Portfolio 1994-95 Fiscal Year	page A2
State of California General Obligation Bonds	
Sold Fiscal Years 1994-95 and 1995-96	page A3
State Agency Revenue Bonds	page A4
State Public Works Board and Other Lease-Purchase	
Financing Outstanding Issues	page A5
Summary of State Revenue Bonds Sold	page A6
Revenue Bonds Sold - Lease Purchase Financing	page A7
Revenue Bonds Sold - State Programs Financing	page A8
Revenue Bonds Sold - Housing Financing	page A9
Revenue Bonds Sold - Conduit Financing	page A10
Comparative Statement of Treasurer's Fiscal Accounts Assets	page A13
Accountability Accounts Assets	page A14

Innovations to Reduce Costs to Taxpayers

Using proven techniques from the private sector to save taxpayer money

Commercial Paper

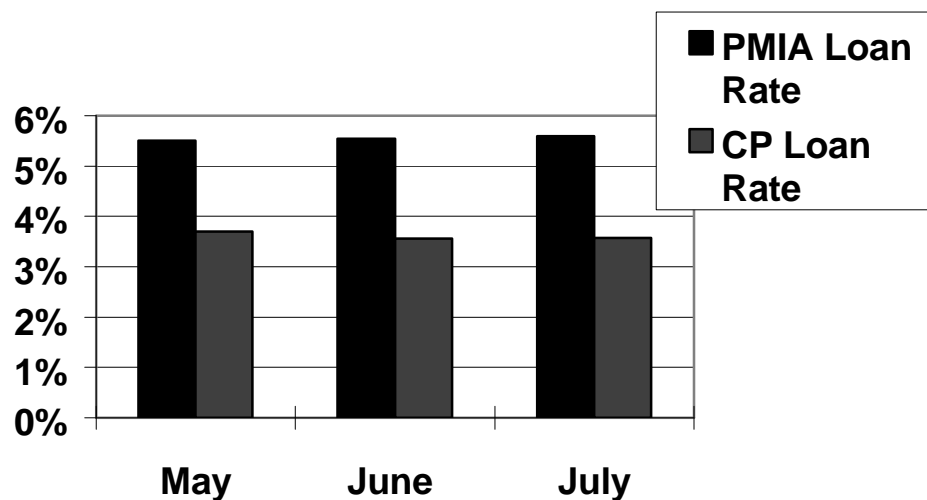
California is one of the first states in the nation taking full advantage of the savings made possible by having a flexible, responsive commercial paper program.

Commercial paper is a debt instrument which allows the State to borrow money to meet its interim financing needs. It has a short maturity, from one to 270 days, and has lower borrowing costs than previously used instruments. With this cost-cutting tool, the State Treasurer's office can reduce the costs of borrowing to taxpayers by millions of dollars. The Treasurer's office sponsored two bills, Senate Bill 96 (Greene) and Senate Bill 1337 (Killea), which authorizes the Treasurer to issue debt in the form of commercial paper.

For years, private industry has used commercial paper as a low interest rate form of debt to meet short term cash needs. Current commercial paper rates are running roughly two percentage points below the rate of the Pooled Money Investment Account (PMIA), a representative cost of borrowing for the State's short-term requirements. (See the chart below.)

Sales of the State's commercial paper have been well received by investors. As with the State's long-term bonds, interest earned by investors is exempt from federal and state income tax. This double tax-exemption status and the State's strong financial position make these instruments popular with investors.

PMIA Loan Rate vs GO Commercial Paper Rate
May 1, 1996 through July 31, 1996



Safeguarding Taxpayers' Money

Improving Local Government Investment Practices

Background

The Orange County Bankruptcy

At the beginning of the Orange County bankruptcy, the Treasurer initiated a "Containment Strategy." This strategy consisted of effectively communicating with investors, Wall Street, Rating Agencies and other agencies the positive financial strength of the State and its local governments, despite Orange County. As a result of the Treasurer's efforts, in conjunction with the Governor and the Legislature, the impact on the State, cities, local governments, and financing entities was minimal. The costs came in the form of an "interest penalty" that was limited to 19 basis points statewide. Most government entities, such as the State, are financially sound and did not experience a penalty as a result of the Orange County bankruptcy.

Response to Orange County

Accountability and Proper Oversight

In response to the Orange County investment losses, Governor Pete Wilson requested, in early 1995, the Treasurer convene a Task Force on Local and State Investment Practices. The Task Force's purpose was to report findings and make recommendations for possible investment guidelines for consideration by the California Legislature. The Task Force not only examined the practices of the Orange County pool, but also those of other California counties, many California cities, the State's Pooled Money Investment Account, and state agencies. Based on its findings, the Task Force made recommendations, which in summary are:

- ☐ **Formalize Investment Policy:** Amend State laws to require each local treasurer or chief financial officer to provide annual written statements of investment policy and quarterly investment reports to the local legislative body;
- ☐ **Restrict Exotic Investments:** Encourage lawmakers to show restraint from enacting legislation concerning permitted state and local investments until release of the final reports by the State Auditor and others then amend state law to restrict the use of leverage in local and state investment portfolios by limiting "reverse repurchase agreements" used to buy securities to no more than 20 percent of a portfolio; and

- ❑ **Increase Education:** Increase continuing education programs for officials responsible for investment oversight.

As a result of this task force, the Treasurer sponsored several bills and initiated activities to help prevent an Orange County-type situation from happening elsewhere. The following changes were accomplished.

- ❑ **Investment Policy:** The legislation requires treasurers or chief financial officers to submit quarterly investment reports and annual investment policy statements to their local legislative body.
- ❑ **Prudent Investing:** Legislation imposes the “prudent investor” standard on government officials investing public funds and establishes the primary investment objectives of government officials as “safety, liquidity, and yield.” It specifies match-to-maturity requirements for investments of local agency bond and note proceeds, and imposes, among other things, limitations on investments in certain types of derivatives. Additionally, each county board of supervisors or city council must establish an investment oversight committee. As a result of this legislation, there will be increased oversight at the local level without the State stepping into the local investment process.
- ❑ **Increased Education:** As Chairman of the Commission, the Treasurer directed the California Debt Advisory Commission (CDAC) to establish a continuing education program called for in the Task Force report and provide additional policy research and technical assistance in the areas of investment instruments and investment practices. Legislation is pending to formalize these new responsibilities.

In an effort to promote the education of public officials in their fiduciary responsibilities over public investments, the Treasurer worked with local government representatives of statewide associations to prepare an education video for elected officials. The video emphasizes investment oversight as an important responsibility of local officials, outlines the basics of investment, and provide some tips for monitoring the performance of investment programs.

**Safety,
Liquidity
& Yield**

The Priorities of Investing Public Money

The Treasurer, as part of his Orange County Containment Policy, reviewed the investment practices of the State Treasurer's office. As a result, a written Investment Policy for the Pooled Money Investment Account was approved by the Treasurer in 1996. This policy emphasizes the priorities of investing, safety, liquidity, and yield, in that order, for the investment of taxpayer funds.

Safety - Ensured by: (1) Only investing in high quality securities, (2) Spreading investments over different investment types, (3) Spreading investments over multiple credit/issuers to minimize credit exposure, and (4) Spreading investments over various maturities to minimize the risk of portfolio depreciation due to a rise in interest rates.

Liquidity - Ensured by maintaining a "cash flow generated" portfolio balance sufficient to cover the specific month prepared cash flow, in conjunction with the six month cash forecast. Further, sufficient marketable treasuries are maintained to cover unforeseen withdrawals or delayed deposits.

Yield - Maintained on a consistent level representative of current market yield direction. No investment in inverse yield securities and range bonds is permitted. The rate of return will be maximized consistent with the safe and prudent money management and always as the third priority to safety and liquidity needs.

**Alterations
to Marks-
Roos
Pooling
Act**

Preventing Abuse through Increased Disclosure

The Treasurer sponsored legislation, SB 1275 (Killea), intended to curb potential abuses of the Marks-Roos Bond Pooling Act. The legislation provides limitations on the loan origination period and a prohibition against underwriters, also acting as financial advisors in these transactions. The legislation also establishes new disclosure requirements for those bond pools. Under this new requirement, Marks-Roos bond pool participants must file detailed annual reports with the California Debt Advisory Commission, as well as draw on reserve or default reports.

Investor Relations Program

During the past year, the Treasurer's Office began an Investor Relations Program. Through this program, the Treasurer's office has strengthened the relationship between California and individual and institutional investors who buy the State's bonds, notes and commercial paper.

The program has two objectives: (1) strengthen the State's relationship with its investors by better understanding their needs; and (2) provide investors with timely and useful information about California's financial condition and events that impact the value of the investor's securities.

Since the inception of this program in 1995, the Treasurer established a communication network of bondholders and capital markets through personal visits, regional investor meetings, video conferences, a monthly newsletter, and the creation of a "home page" on the Internet.

The Investor Relations Program has been well received by the investing community. Through this outreach, the Treasurer has been able to create more demand for the State's securities. With an increased demand, the State has been able to issue bonds, notes and other securities at lower borrowing costs.

Credit Rating Increases

A Sign of the Economic Recovery

For the first time in more than six years, California received upgrades from two leading credit rating agencies. Fitch Investor Services upgraded California's ratings from A to A+ in February, 1996, citing the State's sustained economic recovery.

In July, 1996, Standard & Poor's Investor Services upgraded the State's bond rating from A to A+, joining Fitch Investors Service as firms which have recognized California's improved fiscal picture.

The upgrades in the State's ratings will save California taxpayers millions of dollars of debt service costs over the coming years. As the State issues bonds, the improved ratings will result in lower interest rates and lower borrowing costs. For example, the \$2 billion school bonds approved in March 1996 could result in savings to taxpayers as much as \$1 million a year and \$20 million over the life of the bonds.

*Making
Government
More
Accessible*

Entering Cyberspace

The California State Treasurer's office joined the list of government agencies operating a home page in cyberspace in November 1995.

The California State Treasurer's home page was established to provide public information and increased access to the Treasurer's office. In the interest of immediacy, the State Treasurer's office can post information on the Internet and reach a wider audience faster.

The State Treasurer's home page includes profiles of each operating divisions, including Public Finance (formerly Trust Services), Investments, Cash Management, Information Services. Background on the more than 40 authorities, boards and commissions on which the Treasurer serves is also available. The cyber-site offers an historical perspective of the California State Treasurer's office, including a list of the men and women who have served as the state's chief financial officer. Lastly, the site provides a detailed look at State finances, upcoming bond sales and other information to aid financial analysts.

The State Treasurer's home page is located at
<http://www.treasurer.ca.gov>.

Historical View

The Treasurer's office was established in 1849 and began as a two-year post, elected by the Legislature. The Constitutional Amendment of 1862 lengthened the term of the Treasurer to four years, elected at the same time and for the same term as the Governor.

Initially, the sole job of the Treasurer was ensuring the physical security of the State's money. However, over its 147-year history, the office has expanded in authority and responsibility. This increase of responsibility began in 1850 when the Treasurer's office first sold bonds and has continued. Today, the State Treasurer provides banking, investment and public finance services for State government with a minimum interest and service cost and with a maximum yield on investments while maintaining a high level of security for the State's money.

There have been 29 State Treasurers. The first to serve was Richard Roman (1849-1854). He was most noted for refusing to pay legislators out of the money on hand in 1852. The longest serving was Charles G. "Gus" Johnson (1923-1956). The current State Treasurer is Matt Fong. He was elected in 1994 and is the highest ranking Asian-American elected official in the continental United States.

Overview of Responsibilities

The Treasurer is the State's chief financial officer and banker. The Treasurer serves as the liaison to Wall Street, issues bonds, and is the State's chief architect of California investments.

The Treasurer is responsible for investing temporary surplus operating funds, coordinating and consolidating the collection of State revenues, providing for the custody of all money and securities belonging to or held in trust by the State, administering the State's bond debt program, redeeming and reconciling State warrants issued in payment for goods and services, and payment of warrants drawn by the State Controller and other State agencies.

The Treasurer is also responsible for working with the State's daily cash position, accurately forecasting cash receipts and disbursements, and providing the required financial information and reports as part of the State's over fiscal process.

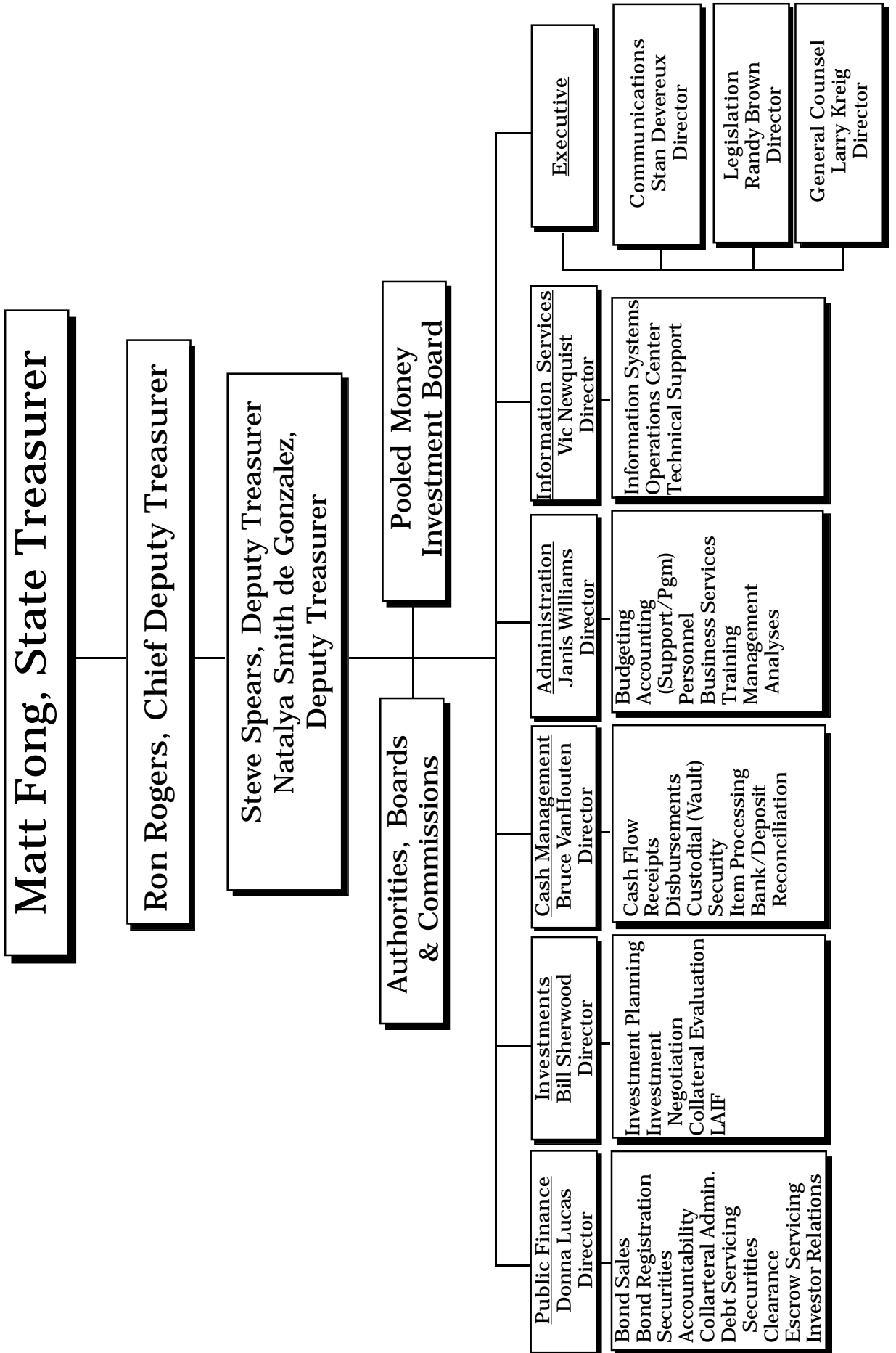
The Treasurer, in addition to the other duties, sits on more than 40 boards, commissions and authorities (BCAs) and chairs 10 BCAs. Many of these agencies are authorized to issue debt for specific purposes and others have unique responsibilities such as forecasting State revenues, advising California municipalities on debt issuance, and overseeing the State's various investment operations.

Office Structure

The State Treasurer's Office is divided into six divisions which work in concert to provide oversight and information, ensuring the State's money is used in the most efficient and prudent manner possible.

Cash Management	Provides daily, weekly and monthly cash statements and determines the funds available for investments purposes. The Division is responsible for the security for the State's vault, with assets totaling more than \$5 billion, determines the authenticity of warrants to be cashed by the State, maintains balances in the Treasurer's six depository banks, and keeps the Treasurer advised on banking matters. Details on page 10.
Public Finance	Carries out the public finance responsibilities of the State Treasurer. The division sells, services and redeems all State of California General Obligation bonds, Revenue Anticipation Notes and certain revenue bonds, assures compliance with federal tax laws applicable to State debt, executes the clearance and income collection for State investments (excluding PERS and STRS) and is responsible for the safekeeping of securities and other personal property owned by or pledged to the State. Details on page 17.
Investments	Responsible for the safe and prudent investment of State moneys with a minimum service cost and a maximum yield on investments. The day-to-day Pooled Money Investment Fund management is the responsibility of the Investment Division whose investment authority is established in California Government Code, Sections 16430 and 16480.4. Details on page 13.
Executive Office Services	Provides overall policy for the State Treasurer's office. The Executive Office directs media relations, communications, as well as provides legal services. Lastly, it pursues the Treasurer's policy agenda through the California Legislature and acts as liaison to the Legislature.
Administration	Provides support services to programs in the State Treasurer's office. The Administration Division includes budgeting, personnel, and accounting offices.
Information Services	Supports the data processing needs of the State Treasurer's office. The primary mission of the Information Services Division is to assist the other divisions in achieving their program objectives through the application of cost-effective information management technology and the delivery of quality products and services.

Organizational Chart



Cash Management

Introduction to Cash Management

In 1949, the California Legislature amended Government Code Section 16305 to create the Centralized Treasury System (CTS) thereby requiring agencies of the State to deposit their money in trust with the Treasurer. This legislation requires the Treasurer to safeguard the money and make safe and prudent investments. It has since become the responsibility of the Cash Management Division (CMD) to oversee all banking aspects of the CTS.

The goal of the CTS is to have all State money invested each day. This goal is accomplished by: (1) by forecasting agency revenue collections and disbursements and their impact on the Treasurer's Pooled Money Investment Portfolio and; (2) using compensating balances to allow for the variances in cash flow that are a natural consequence when forecasting the movement of cash.

In 1955, the Legislature created the Pooled Money Investment Board (PMIB), giving the Board the responsibility to designate the amount of money available for the investment in securities, bank deposits and loans to the General Fund. The CMD is responsible for creating long-term, medium-term, and short-term forecasts of cash flow that assist the PMIB in meeting its responsibility.

In order to safeguard the State's money on deposit with the depository banks, it is CMD's responsibility to assure that all collected funds on deposit are collateralized 100 percent, or in accordance with Sections 16520 through 16533 of the Government Code.

The State Treasurer maintains demand bank accounts with six statewide banks for the purpose of providing necessary depository coverage for the remittance of funds collected by the various state agencies. Disbursements from these accounts are made by drawing checks or wire transfers in payment of warrants, agency checks or vouchers. A daily report of these disbursements is required by law to be made to the State Controller.

Additionally, the CMD keeps these accounts at the monthly average balance prescribed by the PMIB as compensation to the banks for services provided and uncollected funds deposited.

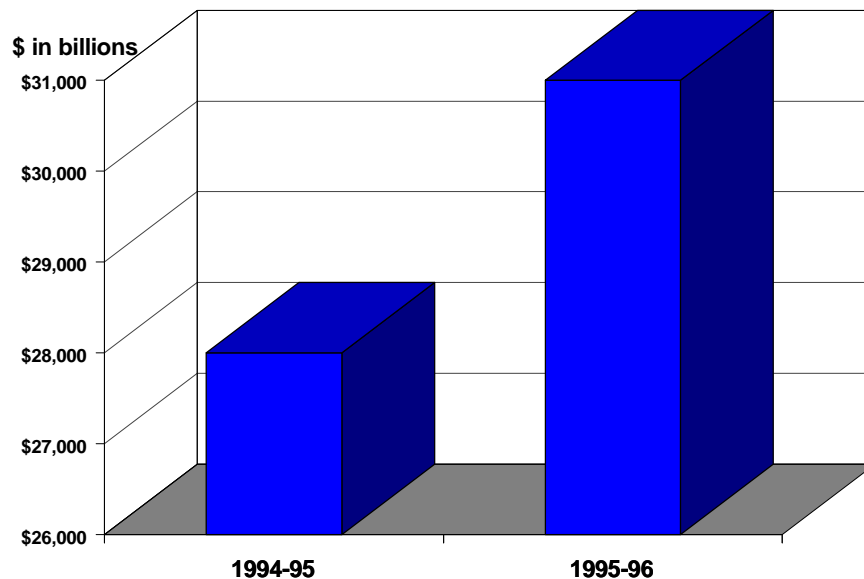
Presort Deposits Program

The Presort Deposits Program, involving five of the largest State agencies, continued to operate effectively during the 1994-95 and 1995-96 fiscal years. This program requires the agencies to manually or mechanically sort checks drawn on the six designated depository banks for subsequent deposit into the bank of origin. This process results in a substantial increase in collected funds to the depository banks and allows the State Treasurer to invest close to an additional \$25 million each day.

Electronic Funds Transfer

The Electronic Funds Transfer (EFT) collection program started in January, 1993, continued to grow. During the 1994-95 fiscal year, approximately \$28 billion was collected by participating agencies. The amount of EFT collections increased to approximately \$31 billion during the 1995-96 fiscal year.

Electronic Funds Transfer
Collection Program



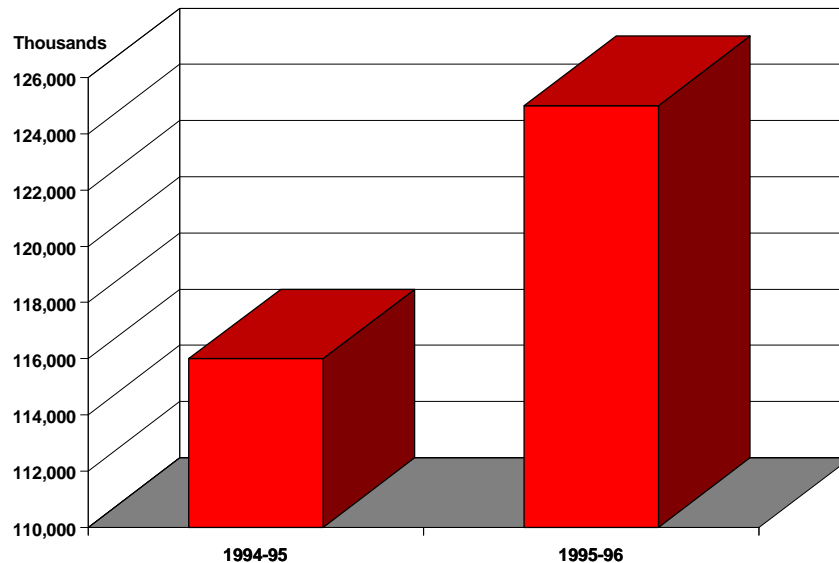
Cash Receipts and Disbursements

Cash receipts deposited for credit to the Treasurer's demand bank accounts, including agency receipts deposited throughout the State Centralized Treasury System, totaled approximately \$458 billion during the 1994-95 fiscal year and \$432 billion during the 1995-96 fiscal year. During the same periods, the disbursements totaled approximately \$459 billion and \$432, respectively. In fiscal year 1994-95 the Treasurer sold \$3 billion in Revenue Anticipation Notes (RANS) and \$4 billion in Revenue Anticipation Warrants (RAWS). In fiscal year 1995-96 the Treasurer sold \$2 billion in RANS. The sale of RANS and RAWS were necessary to meet cash needs during the respective fiscal years enabling the state to meet its obligations through June 30, 1996.

Item Processing

In fiscal year 1994-95 the Treasurer's office redeemed over 115.95 million state issued checks, vouchers and warrants representing \$531 billion. This is an increase of 6.8 percent in volume of items authorized for payment over the previous year. In fiscal year 1995-96, over 120.6 million items were redeemed, amounting to \$509 billion, a 4 percent increase in volume over the prior year.

Item Processing Volume of Items Redeemed



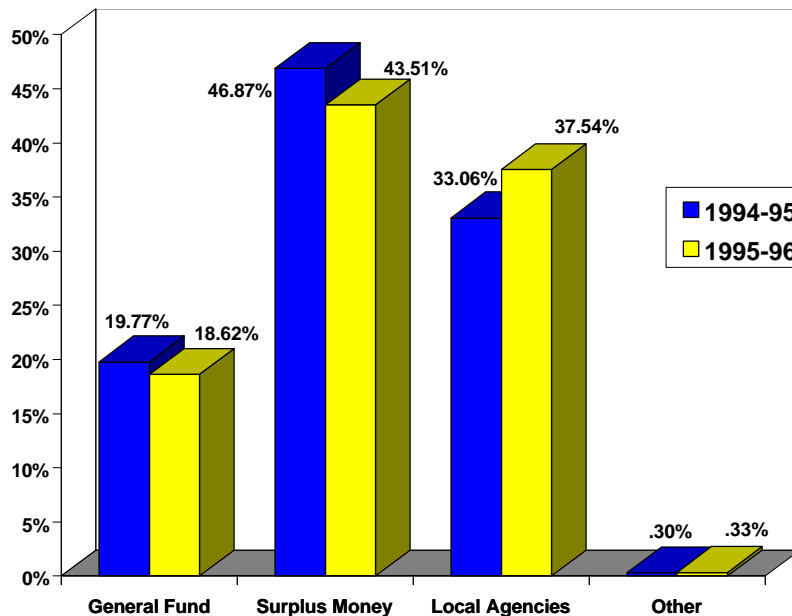
Investments

The investment earnings of the Pooled Money Investment Account for fiscal years 1994-95 and 1995-96 totaled \$3.001 billion, despite the declining interest rate environment during the two fiscal years covered by this report and the statewide impact of the Orange County bankruptcy.

Pooled Money Investment Account (PMIA)

The State Treasurer has the responsibility for investment of state moneys on a day-to-day basis until the money is expended for various statewide programs. State moneys are commingled in the Pooled Money Investment Account (PMIA) which is comprised of general fund, surplus, local agency, and other (i.e. Fish and Game, retirement systems, etc.) moneys. The composition of the PMIA as of June 30, 1995 and June 30, 1996 is presented below.

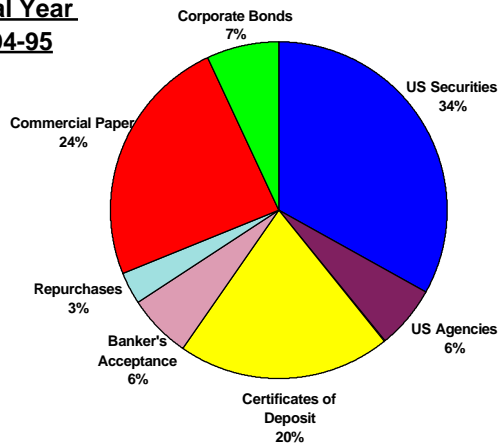
**Pooled Money Investment Account
Source of Funds**



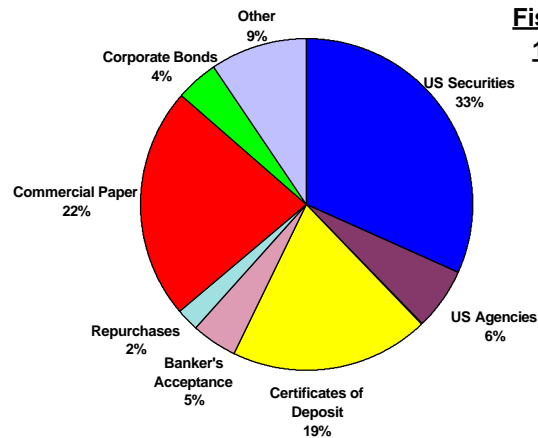
Authority for the purchase of securities for the portfolio is governed by California Government Code Sections 16430 and 16480 with oversight provided by the Pooled Money Investment Board (PMIB). The PMIB members include the State Treasurer, Director of Finance, and State Controller. The analyses of the types of securities held in the PMIA portfolio as of June 30, 1995 and June 30, 1996 are represented on the next page. A more detailed listing can be found in the appendix to this report on page A1 and A2.

Pooled Money Investment Account Analysis of Portfolio

Fiscal Year
1994-95

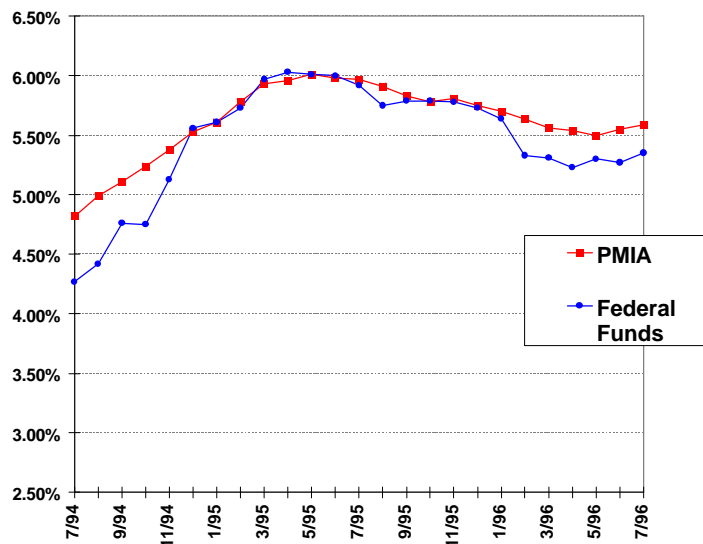


Fiscal Year
1995-96



During the 1994-95 fiscal year, PMIA investment activity involved 6,351 transactions totaling \$277.4 billion. The pool averaged \$26.802 billion for this fiscal year and had earnings of \$1.482 billion. For the 1995-96 fiscal year, the number of transactions totaled 5,721, and the dollar volume of these transactions totaled \$210.1 billion. The portfolio averaged \$26.623 billion for the fiscal year with earnings of \$1.519 billion.

Pooled Money Investment Account Average Monthly Yield Comparison to Federal Funds Fiscal Year 1994-95 through 1995-96



*Local Agency
Investment
Fund (LAIF)*

The Treasurer continues to invest in opportunities which will promote the California economy. By investing with California financial institutions through the Time Deposit Program, the State can assist these institutions with home and business financing throughout the state. For the fiscal year 1994-95, the State negotiated 136 transactions totaling \$1.251 billion with California financial institutions. For fiscal year 1995-96, there were 201 transactions totaling \$2.154 billion. This represents a 72.2 percent increase over the previous year.

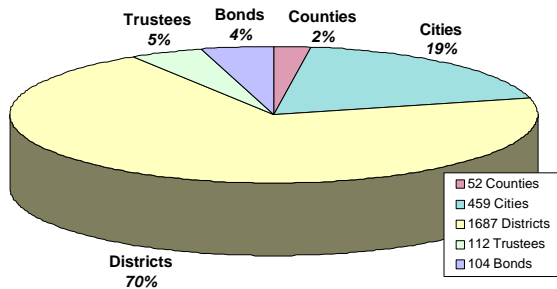
The Local Agency Investment Fund (LAIF) is a voluntary program, created by the Legislature in 1976 as an investment alternative for California's local government entities (i.e. cities, counties, special districts, etc.). This program was created to offer local government entities the opportunity to invest their idle moneys and to gain greater access to the market through the PMIA. The objectives for pooling local government money for investment purposes are:

- ☐ Provide more liquidity, since deposits may be converted to cash within a minimum period of time;
- ☐ Utilize the investment expertise of the Treasurer's office;
- ☐ Lower investment costs by purchasing securities in large amounts, thereby eliminating the charges generally placed on small lot purchases; and
- ☐ Eliminate the need to determine minimum investment periods, unless the deposit is bond proceeds.

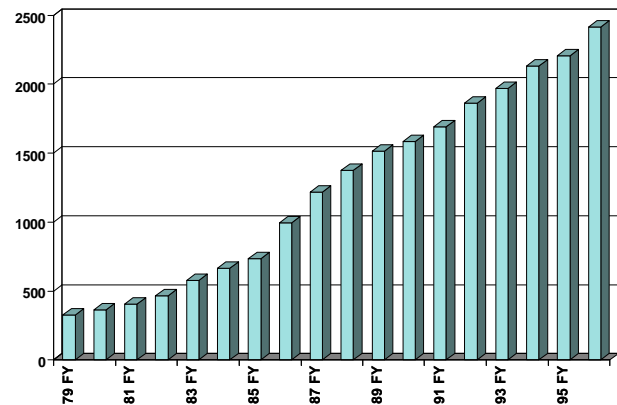
Even with the Orange County bankruptcy incident overshadowing the market and legislative processes during the last two fiscal years, participation in LAIF continued to increase. Local agency participation increased from 2,206 participating agencies in FY 1994-95 to 2,414 agencies in FY 1995-96. This represents a 9.4 percent increase during a volatile time when many were questioning the policies and practices of local government investment pools. LAIF deposits from local agencies averaged \$8.905 billion in FY 1994-95 and more than \$10.033 billion in FY 1995-96, a 12.7 percent increase.

Local Agency Investment Fund Participation 2,414 Agencies

Breakdown of Participating Agencies



Fund Participation



Oversight for the LAIF is provided through the Local Agency Investment Fund Advisory Board. The Treasurer, together with his executive and investment staff and assisted by the LAIF Board members and the Task Force on Local State Investment Practices, worked to ease concerns in the investment community after Orange County declared bankruptcy. Disclosure and informed oversight were given additional emphasis. This emphasis focused on:

- ☐ Increasing the scope of information published in the monthly Pooled Money Investment Account Report (such as the specific issuers of the types of securities purchased, the bank which issued the time deposit, and a summary of the maturity ranges in which securities are held) etc.;
- ☐ Preparing monthly market valuations of the PMIA portfolio for distribution to program participants;
- ☐ Conducting regular meetings of the LAIF board and preparing a synopsis of the issues considered or actions taken to be distributed to participating agencies; and
- ☐ Conducting outreach programs, including on-site visits to local boards, commissions, and authorities, to better educate the public on the goals, policies, and objectives of the LAIF investment program.

Public Finance Division

The Public Finance Division is responsible for programs that carry out the following roles and functions of the State Treasurer:

- ☐ Agent for sale for state bonds;
- ☐ Trustee, registrar and paying agent for all general obligation bonds and certain revenue bonds;
- ☐ Clearance, settlement and collection functions for investment securities;
- ☐ Custodian for securities and other valuables held for general safekeeping or to satisfy pledges; and
- ☐ Management of collateral held to secure all state deposits in financial institutions.

As agent for sale for all state bonds, notes and other debt instruments, it is the Treasurer's goal to meet the State's borrowing needs at the lowest possible cost. The Treasurer holds all underwriters accountable for obtaining the best prices possible in the market. Bond counsel, financial advisors, and other professional service providers are also expected to meet high performance standards.

In 1995, the Treasurer implemented two new programs. They are the Investor Relations Program and the General Obligation Commercial Paper program, both administered by the Public Finance Division.

Investor Relations Program

The Investor Relations Program is designed to improve the communication between the State and its bondholders. These communication efforts are aimed at increasing the demand on state bonds in the markets. With a higher demand, the State would be able to borrow from the capital markets at a lower interest cost.

Since the inception of this program in 1995, the Treasurer has established a communication network with the bondholders and the capital markets through personal visits, regional investor meetings, video conference, a monthly newsletter, and a "home page" on the Internet.

The program has generated interest from investors. During recent sales of state bonds, the State was able to issue the bonds at lower interest rates because the demand was strengthened by the efforts of the Investor Relations Program.

*State
General
Obligation
Commercial
Paper
Program*

Shortly after the Treasurer took office, he sponsored legislation to authorize issuing commercial paper (CP) notes to provide interim financing for General Obligation (GO) bond programs and to provide an alternative to Revenue Anticipation Notes (RANs) for the State's cash flow borrowings. CP notes are short-term securities with maturities of from one to 270 days. On May 1, 1996, the GO CP program was implemented. Due to the short maturities and the tax-exempt status of the CP notes for GO bond programs, the interest rates on the CP notes are less than interest rates on long-term bonds or PMIA loans. Therefore, this offers a lower cost way to finance the projects during the period that expenditures are being made. A graph showing the savings can be found on page 1.

*Debt
Issuance
Section*

The State Treasurer is charged with the responsibility for the sale of debt obligations for the State and its various authorities and agencies.

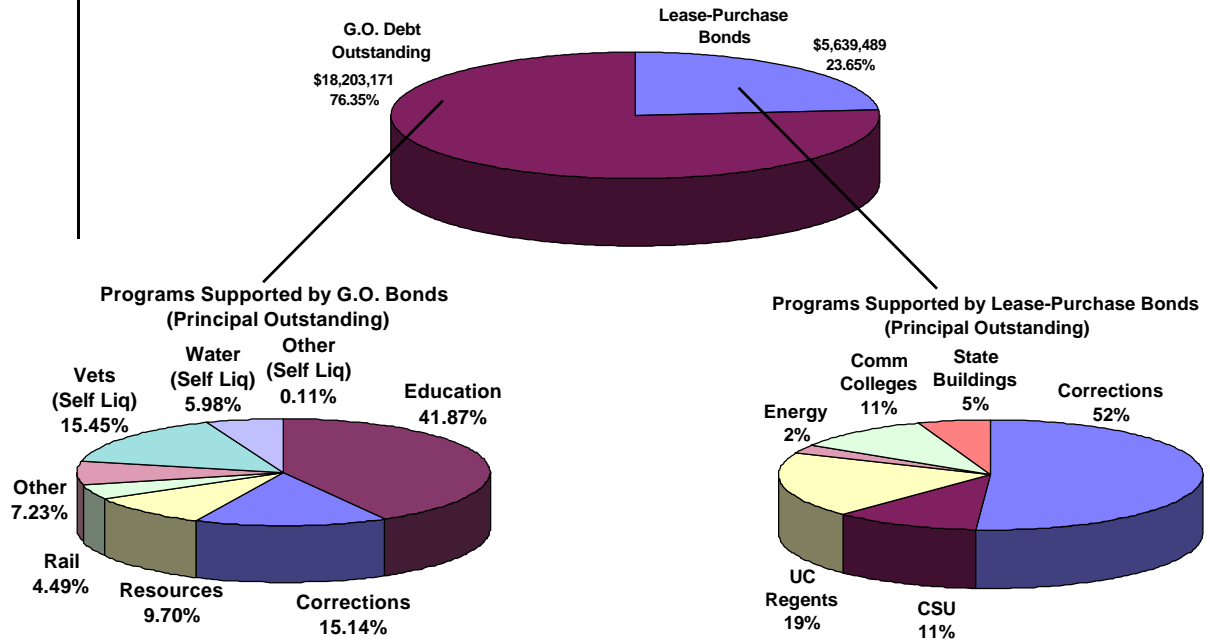
As of June 30, 1996, the State had unused authorizations for the future issuance of approximately \$7.7 billion of GO indebtedness. Pursuant to legislation enacted in 1996, voter-approved GO indebtedness may be issued either as long-term bonds or, for some bond acts, as commercial paper notes. Commercial paper notes, once issued, may thereafter be refunded by the issuance of long-term bonds.

As of June 30, 1996, the State had outstanding \$18.2 million aggregate principal amount of long-term general obligation bonds and \$130.5 million aggregate principal amount of general obligation commercial paper notes. Unused authorizations of general obligation indebtedness in an amount up to approximately \$3.3 billion can be issued either as commercial paper notes or long-term bonds.

In March 1996, voters approved two general obligation bond measures: \$3 billion for construction of K-12 schools and higher education facilities and \$2 billion for seismic retrofit of state highway bridges and toll bridges. No other general obligation bond propositions were approved during this biennial period.

Revenue bonds in the aggregate principal amount of \$7.4 billion were sold during the two-year period ending June 30, 1996. In addition, the State Treasurer also issues Revenue Anticipation Notes (RANs) to meet the State's cash flow borrowing needs.

State Debt (Principal Outstanding) (Dollars in Thousands)



Interim Finance Section

The Interim Finance Section works with State agencies and departments to project needs for bond sales, arranges interim financing through loans from the Pooled Money Investment Account, and commercial paper notes for bond programs before bonds are sold to provide start-up cash. The outstanding loan balance on June 30, 1995 was \$396 million and on June 30, 1996 was \$1.1 billion.

The section also administers a Commercial Paper Interim Financing Program for the Department of Water Resources' revenue bond funded programs.

Additionally, the Interim Finance Section performs various activities related to retaining the federally tax-exempt status of state issued debt. The Section works with the State departments who administer bond-funded programs to help them understand and comply with federal requirements. The Section also arranges for yield-restricted investment of bond sale proceeds when needed to comply with federal requirements, monitors the use of bond sale proceeds, and prepares federally required reports on the use and investment of bond sale proceeds.

*Bondholder
Services
Section*

The Bondholder Services Section performs the following functions of the State Treasurer's office:

- ☐ Acts as registrar and paying agent for California issues totaling over \$30 billion as of June 1996;
- ☐ Prepares and mails registered bond interest payments in excess of \$1.7 billion per year;
- ☐ Redeems matured bonds and interest coupons. Processes and pays bonds called for early redemption. Processes stop payments on lost bonds and coupons and issues replacement certificates;
- ☐ Audits payments made to bondholders by fiscal agents in San Francisco, Chicago, and New York; and
- ☐ Maintains up-to-date records of registered bondholder accounts, reregisters bonds as directed by bondholders and converts bearer bonds to registered form at the option of the bondholder.

*Securities
Clearance
Section*

The Securities Clearance Section is responsible for clearing and settling all securities purchased or sold for investment by State investment entities such as the Pooled Money Investment Account, the State Compensation Insurance Fund and 17 other miscellaneous investment funds. These funds have an average monthly balance of over \$39 billion in securities. Transactions are primarily processed through the State Treasurer's custodian bank in Citibank, New York. Other responsibilities include redeeming investment securities and collecting interest earnings and maturing principal on all investment securities and certain other securities held by the State Treasurer. The section cleared and settled 35,271 transactions in fiscal years 1994-95 and 1995-96.

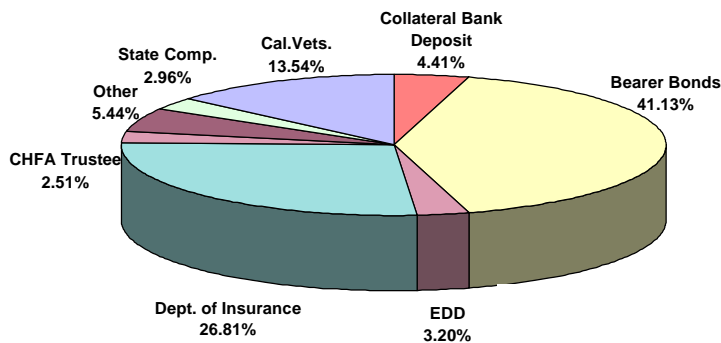
The Safekeeping and Pledge Unit is responsible for the review, clearance and accountability of securities and other items held in the custody of the State for purposes other than investment. In addition to the general safekeeping of securities, the Securities Clearance Section is responsible for the legal review and execution of numerous escrow agreements, safekeeping agreements, and other legal documents associated with these securities and other valuables.

The Unit completed 24,505 safekeeping and pledge transactions in fiscal years 1994-95 and 1995-96. The pledges are received from private companies doing business for or in California. The unit also accounts for approximately \$6 billion of securities on deposit with the State. These securities are held to satisfy pledge requirements for general safekeeping.

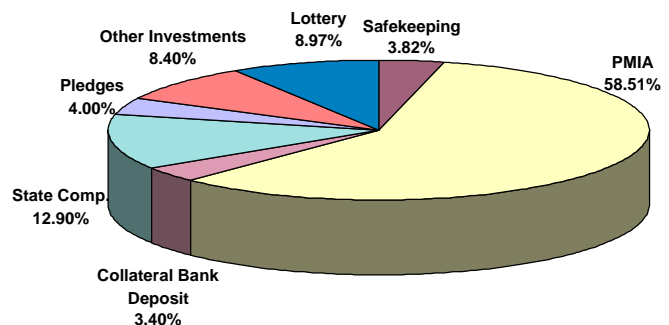
The Time Deposit and Collateral Unit is responsible for monitoring the movement and sufficiency of securities that collateralize the State's deposits in financial institutions. A portion of the State's moneys available for investment is deposited by the State Treasurer's office in eligible banks and savings and loan associations. These financial institutions can be either state or federally chartered, must be located in the State of California, and must be insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

In 1995, the Securities Clearance Section worked with Citibank to install their Citibanking communications software. This application allowed the Treasurer's office to tailor banking reports and increase effectiveness. Additionally, beginning in 1996, an automated process provides the Investments Division with a computer generated "Mark to Market" valuation report.

STO Vault Composition
\$3.93 Billion



Total Asset Composition
\$44.86 Billion



Appendix

Analysis of the Pooled Money Investment Account Portfolio

1994-95 Fiscal Year

<u>Security Type</u>	(000s) <u>Amount (\$)</u>	<u>Percent</u>
Governments		
Bills	1,234,435	4.57%
Bonds	0	0.00%
Notes	6,146,942	22.77%
Strips	<u>1,261,016</u>	<u>4.67%</u>
Total Governments	8,642,393	32.01%
Federal Agency Coupons	771,847	2.86%
Certificates of Deposit	5,354,042	19.83%
Bankers Acceptances	1,616,484	5.99%
Repurchases	792,670	2.94%
Federal Agency Discount Notes	888,238	3.29%
Time Deposits	272,290	1.01%
GNMA's	36,625	0.14%
Commercial Paper	6,373,796	23.61%
FHLMC	43,397	0.16%
Other	0	0.00%
Corporate Bonds	1,810,957	6.71%
Pooled Loans	395,817	1.47%
Reversed Repurchases	<u>0</u>	<u>0.00%</u>
Total	26,998,556	100.00%

Analysis of the Pooled Money Investment Account Portfolio

1995-96 Fiscal Year

<u>Security Type</u>	(000s) <u>Amount (\$)</u>	<u>Percent</u>
Governments		
Bills	2,340,375	8.74%
Bonds	0	0.00%
Notes	5,781,010	21.59%
Strips	384,016	1.43%
Total Governments	8,505,401	31.76%
Federal Agency Coupons	1,134,617	4.24%
Certificates of Deposit	5,209,165	19.45%
Bankers Acceptances	1,240,097	4.63%
Repurchases	577,408	2.16%
Federal Agency Discount Notes	450,655	1.68%
Time Deposits	446,995	1.67%
GNMA's	4,334	0.02%
Commercial Paper	5,991,749	22.37%
FHLMC	35,084	0.13%
Other	2,019,109	7.54%
Corporate Bonds	1,147,295	4.28%
Pooled Loans	19,240	0.07%
Reversed Repurchases	<u>0</u>	<u>0.00%</u>
Total (All Types)	26,781,149	100.00%

State General Obligation Bonds

Sold FY 1994-95 and 1995-96

Date Sold	Issue	Principal Amount	True Interest Cost (%)
8/17/94	Various Purpose General Obligation	\$700,000,000	5.896
11/22/94	Various Purpose General Obligation	\$407,000,000	6.793
2/22/95	Various Purpose General Obligation	\$400,000,000	6.063
3/22/95	Veterans General Obligation (non-AMT)	\$34,500,000	6.068
3/22/95	Veterans General Obligation (AMT)	\$351,030,000	6.491
10/18/95	Various Purpose Refunding General Obligation	\$81,095,000	4.098
10/18/95	Various Purpose General Obligation	\$380,000,000	5.403
2/28/96	Various Purpose Refunding General Obligation	\$159,715,000	5.512

GRAND TOTAL: \$2,513,340,000

State Agency Revenue Bonds

For the quarter ending June 30, 1995

<u>Issuing Agency</u>	<u>Outstanding(a)</u>
<u>Lease Purchase Financing:</u>	
State Public Works Board	\$ 5,046,498,878
State Public Works Board	
(Energy Conservation and Co-Generation)	150,500,000
Franchise Tax Board	35,140,000
Capitol Area Development Authority	6,785,000
East Bay State Building Authority	126,291,478
Los Angeles State Building Authority	180,335,000
San Francisco State Building Authority	<u>60,700,000</u>
Total General Fund Supported Financing	\$ 5,606,250,356
<u>State Programs Financing:</u>	
California State University	327,573,000
California Transportation Commission	63,020,000
Department of Water Resources	1,976,995,000
The Regents of the University of California	2,110,189,000
Trade and Commerce Agency	7,000,000
<u>Housing Financing:</u>	
California Housing Finance Agency	3,764,315,044
California National Guard	5,865,000
Veterans Revenue Debenture	434,545,000
<u>Conduit Financing:</u>	
California Alternative Energy and Advanced Transportation	
Financing Authority	101,595,000
California Educational Facilities Authority	1,326,195,000
California Health Facilities Authority	4,669,191,833
California Passenger Rail Financing Commission	---
California Pollution Control Financing Authority	4,173,315,000
California School Finance Authority	20,490,000
California Student Loan Authority	0
California Urban Waterfront Area Restoration	
Financing Authority	3,205,000
Hazardous Substance Cleanup Financing Authority ...	-
Total Financing with No Recourse to General Fund	\$ <u>18,983,493,877</u>
TOTAL	\$ <u>24,589,744,233</u>

(a) Total Outstanding does not include defeased bonds and includes the accreted values for capital appreciation bonds.

**State Public Works Board and Other
Lease-Purchase Financing Outstanding Issues
As of June 30, 1996**

<u>Name of Issue</u>	<u>Outstanding</u>
General Fund Supported Issues:	
<u>State Public Works Board</u>	
California Community College	\$ 605,310,000
Department of Corrections *	2,872,200,973
Energy Efficiency Program (Various State Agencies) (a).	134,150,000
The Regents of The University of California * (b)	1,054,931,113
Trustees of The California State University	624,530,000
Various State Office Buildings	<u>306,005,000</u>
Total State Public Works Board Financing	\$ 5,597,127,086
<u>Other Lease-Purchase Issues</u>	
Capitol Area Development Authority	
(State of California Department of General Services Lease)	\$ 6,540,000
Franchise Tax Board Refunding Certificates of Participation	
(California Franchise Tax Board Building)	33,100,000
Los Angeles State Building Authority	
(State of California Department of General Services Lease)	179,355,000
Redevelopment Agency of the City of Riverside	
(State of California Department of General Services Lease)	<u>29,115,000</u>
Total Other Lease-Purchase Issues	\$ 248,110,000
Total General Fund Supported Issues	\$ 5,845,237,086
Special Fund Supported Issues:	
East Bay State Building Authority Certificates of Participation ..	
(State of California Department of Transportation) *	\$ 98,955,101
San Bernardino Joint Powers Financing Authority	
(State of California Department of Transportation)	63,755,000
San Francisco State Building Authority	
(State of California Department of General Services Lease) (c) .	<u>58,635,000</u>
Total Special Fund Supported Issues	\$ 221,345,101
TOTAL	\$ 6,066,582,187

*Includes the initial value of capital appreciation bonds rather than the accreted value.

(a) This program is self-liquidating based on energy cost savings.

(b) The Regents' obligations to the State Public Works Board are payable from lawfully available funds of The Regents which are held in The Regents' treasury funds and are separate from the State General Fund. A portion of The Regents' annual budget is derived from General Fund appropriations.

(c) The sole tenant is the California Public Utilities Commission.

SOURCE: State of California, Office of the Treasurer.

Summary of State Revenue Bonds Sold

July 1, 1994 - June 30, 1996

<u>Issuing Agency</u>	<u>Principal Amount</u>
Lease-Purchase Financing	
Public Works Board of the State of California	\$1,233,804,516
Los Angeles State Building Authority	80,835,000
San Bernardino Financing Authority	63,755,000
State Programs Financing	
California State University	219,770,000
Department of Water Resources	647,000,000
Regents of the University of California	103,680,000
Housing Financing	
California Housing Finance Agency	2,288,545,000
Conduit Financing	
California Economic Development Financing Authority	42,600,000
California Educational Facilities Authority	274,175,000
California Health Facilities Financing Authority	949,265,666
California Pollution Control Financing Authority	1,474,720,000
Total State Revenue Bonds Sold	\$7,378,150,182

Revenue Bonds Sold

July 1, 1994-June 30, 1996

Lease Purchase Financing

Public Works Board of the State of California

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
10/13/94	PWB UC Regents	1994B	42,310,000	6.663
10/26/94	PWB DOC Monterey Co (Soledad II)	1994A	284,639,516	6.854
11/17/94	PWB California Community Colleges	1994B	135,915,000	7.334
4/4/95	PWB Energy Efficiency	1995A	30,960,000	5.660
4/19/95	PWB CSU Various Projects	1995A	39,325,000	5.966
5/10/95	PWB Dept. of Justice Bldg.	1995A	65,670,000	5.961
8/29/95	PWB CSU (Refund) LB/SLO	1995B	16,015,000	5.452
9/19/95	PWB Energy Efficiency (Refund)	1995B	28,245,000	4.725
3/19/96	PWB California Community Colleges	1996A	135,325,000	5.643
4/30/96	PWB Corrections/Corcoran II	1996A	455,400,000	5.950
	PWB Total		1,233,804,516	

Los Angeles State Building Authority

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
12/12/95	LASBA General Services Lease (Refund)	1995A	80,835,000	5.104
	LASBA Total		80,835,000	

San Bernardino Financing Authority

Date Sold	Issue	Series	Principal Amount (\$)	Interest Cost(%)
12/14/95	SBFA San Bernardino JPA (CALTRANS)	1995A	63,755,000	5.788
	SBFA Total		63,755,000	

*Indicates NIC as opposed to TIC

Revenue Bonds Sold

July 1, 1994-June 30, 1996

State Programs Financing

California State University

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
2/15/95	CSU Student Union (San Diego State)	Ser B	31,160,000	6.055
5/23/95	CSU Fresno Student Union	Ser B	4,890,000	5.835
4/23/96	CSU Housing System(Refunding)	1996	138,375,000	5.691
4/23/96	CSU San Jose/Student Union(Refund)	Ser. D	23,070,000	5.712
5/22/96	CSU Sacramento Student Union	Ser. C	22,275,000	5.832
	CSU Total		219,770,000	

Department of Water Resources

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
3/13/95	DWR Central Valley Proj (Refund)	N-V1	76,000,000	variable
3/13/95	DWR Central Valley Proj (Refund)	N-V2	76,000,000	variable
12/5/95	DWR CVP Water System	Ser O	335,000,000	5.237
5/7/96	DWR Central Valley Project	Ser. P	160,000,000	6.026
	DWR Total		647,000,000	

Regents of the University of California

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
6/20/95	REGENT Research Facility	1995B	103,680,000	6.387
	REGENT Total		103,680,000	

*Indicates NIC as opposed to TIC

Revenue Bonds Sold

July 1, 1994-June 30, 1996

Housing Financing

California Housing Financing Authority

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
7/20/94	CHFA	Home Mortgage Revenue II	1994 1	68,245,000 4.420*
7/20/94	CHFA	Home Mortgage Revenue II	1994 2	182,760,000 4.420*
9/9/94	CHFA	Home Mortgage (CS)	1994D	20,600,000 3.779
9/9/94	CHFA	Home Mortgage	1994E	83,615,000 6.494
10/7/94	CHFA	Home Mortgage Revenue	1994F1	121,985,000 6.872
10/7/94	CHFA	Home Mortgage Revenue	1994F2	31,480,000 6.872
10/7/94	CHFA	Home Mortgage Revenue	1994F3	43,475,000 6.872
10/21/94	CHFA	Housing Revenue Insured	1994E	22,565,000 6.793
10/21/94	CHFA	Housing Revenue Insured	1994F	17,265,000 6.793
11/3/94	CHFA	Multi-Unit Rental Housing	1994B	14,355,000 7.058*
11/9/94	CHFA	Multi Family Tara Village	1994A	7,875,000
12/2/94	CHFA	Single Family Mortgage	1994G	58,470,000
12/2/94	CHFA	Single Family Mortgage	1994H	82,785,000
1/13/95	CHFA	Home Mortgage	Ser A	20,000,000 variable
1/13/95	CHFA	Home Mortgage	Ser B	26,280,000 6.865
1/13/95	CHFA	Home Mortgage	Ser C	26,575,000 6.865
1/13/95	CHFA	Home Mortgage	Ser D	26,840,000 9.437
2/14/95	CHFA	Multifamily Housing (FHA Insur)	Ser A	6,100,000 variable
3/17/95	CHFA	Home Mortgage (AMT)	1995E	200,000,000 4.770
4/28/95	CHFA	Single Family Mortgage	1995A	150,000,000 6.847
6/1/95	CHFA	Home Mortgage	1995 F/H	159,965,000 5.995
7/14/95	CHFA	Home Mortgage Revenue	1995I	20,900,000 variable
7/14/95	CHFA	Home Mortgage Revenue	1995J	17,745,000 6.063*
7/14/95	CHFA	Home Mortgage Revenue	1995K	61,355,000 6.071*
9/22/95	CHFA	Single Family Mortgage	1995B	85,000,000 6.316*
10/13/95	CHFA	Multi Family Housing Revenue II	1995A	11,195,000 6.267
10/13/95	CHFA	Multi Family Housing Revenue II	1995B	44,105,000 6.267
10/13/95	CHFA	Multi Family Housing Revenue II	1995C	25,355,000 8.167
11/17/95	CHFA	Home Mortgage Revenue (refund)	1995L&M	100,000,000 5.834
1/19/96	CHFA	Home Mortgage	1996A	112,805,000 5.209*
1/19/96	CHFA	Home Mortgage	1996B/C	53,850,000 4.128*
3/29/96	CHFA	Home Mortgage	1996E	165,000,000 5.897
3/29/96	CHFA	Home Mortgage	1996F	15,000,000 5.897
4/3/96	CHFA	Home Mortgage	1996D	65,000,000 3.720
5/23/96	CHFA	Home Mortgage	Ser. G	12,500,000 6.143
5/23/96	CHFA	Home Mortgage	Ser. H	105,200,000 6.143
5/23/96	CHFA	Home Mortgage	Ser. I	22,300,000 6.143
	CHFA Total			2,288,545,000

*Indicates NIC as opposed to TIC

Revenue Bonds Sold

July 1, 1994-June 30, 1996

Conduit Financing

California Economic Developemnt Financing Authority

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)	
7/11/95	CEDFA	Inland Empire	1995	4,500,000	3.000
8/29/95	CEDFA	Fender Musical Instruments	1995A	5,400,000	variable
10/23/95	CEDFA	Valley Plating	1995	6,100,000	variable
12/11/95	CEDFA	National RV	1995A	5,000,000	variable
4/16/96	CEDFA	Pioneer		2,200,000	
4/23/96	CEDFA	KQED, Inc. (Refunding)	1996	13,400,000	variable
6/13/96	CEDFA	Volk Enterprises	1996A	6,000,000	variable
	CEDFA Total			42,600,000	

California Educational Facilities Authority

Date Sold	Issue		Series	Principal Amount(\$)	Interest Cost(%)
9/26/94	CEFA	USC (refunding)	1994	3,550,000	variable
10/12/94	CEFA	Southwestern University	1994	13,500,000	6.974*
10/19/94	CEFA	Stanford University (PP)	1994L2	8,775,000	variable
10/25/94	CEFA	California Institute	1994	30,000,000	variable
4/12/95	CEFA	College of Osteo Med (Refund)	1995	24,840,000	6.472
5/23/95	CEFA	Claremont McKenna	1995	5,000,000	5.928*
5/24/95	CEFA	Woodbury University	1995	9,685,000	6.903*
9/13/95	CEFA	University of Redlands(Refund)	1995	22,890,000	6.043*
9/26/95	CEFA	USC (Refunding)	1995	4,365,000	variable
10/18/95	CEFA	Stanford (Refund)	SerL-3	9,840,000	variable
12/18/95	CEFA	Pooled College & Univ Projects	1995A	41,625,000	5.806*
12/18/95	CEFA	Pooled College & Univ Projects	1995B	12,500,000	6.251*
5/1/96	CEFA	University of San Francisco	1996	75,000,000	5.969*
5/15/96	CEFA	Loyola Marymount University	1996	10,190,000	5.810*
6/7/96	CEFA	Pacific Grad School of Psych	1996	2,415,000	8.090*
	CEFA Total			274,175,000	

Revenue Bonds Sold

July 1, 1994-June 30, 1996

Conduit Financing (continued)

California Health Facilities Financing Authority

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
7/12/94	CHFFA The Scripps Research Institute	1994A	30,000,000	6.486*
7/20/94	CHFFA Loma Linda University Med Ctr	1994A	1,587,611	5.280*
8/1/94	CHFFA Redlands Community Hospital	1994A	817,082	7.000*
8/31/94	CHFFA St. Paul's Episcopal Home	1994	7,140,000	7.114
9/30/94	CHFFA Dameron Hospital Assn.	1994A	2,600,000	6.610*
12/1/94	CHFFA STARTS	1994B	19,405,000	7.494
12/22/94	CHFFA Summit Medical Center	1994A	2,495,900	6.600*
12/27/94	CHFFA Parkview Community Hospital	1994A	3,000,000	6.500*
12/29/94	CHFFA Foothill Hospital	1994A	1,172,073	7.540*
3/22/95	CHFFA St. Luke's Hospital (PP)	1995A	5,154,000	7.250*
5/8/95	CHFFA Catholic Healthcare West(Refund)	95A&H	83,665,000	6.070*
5/10/95	CHFFA Clinicas Del Camino Real	1995A	7,225,000	6.560*
5/23/95	CHFFA Catholic Healthcare West(Refund)	Ser B/D	107,900,000	variable
5/23/95	CHFFA St. Francis Medical Cntr(Refund)	Ser E/G	114,100,000	variable
5/30/95	CHFFA CA Shock Trauma Air Rescue (PP)	1995A	1,590,000	7.197*
6/1/95	CHFFA Mills-Peninsula Health (Refund)	Ser A	30,130,000	5.854*
6/1/95	CHFFA Mills-Peninsula Health	Ser B	37,420,000	6.121*
7/27/95	CHFFA St. Luke's Hospital (PP)	1995A	1,614,000	7.000*
9/6/95	CHFFA Exceptional Childrens Foundation	1995A	2,990,000	6.548*
9/6/95	CHFFA Airport Marina Counseling	1995A	735,000	6.548*
9/6/95	CHFFA Daniel Freeman Hospital	1995A	3,325,000	6.548*
9/7/95	CHFFA Davies Medical Center (PP)	1995A	3,000,000	5.985*
10/19/95	CHFFA California Autism Foundation	1995A	4,700,000	6.211*
11/9/95	CHFFA Porterville Family Health	1995	2,880,000	6.099*
11/29/95	CHFFA Thessalonika Family Svc (refund)	1995A	1,360,000	6.17*
1/19/96	CHFFA Childrens' Hospital (Refunding)	1996	81,330,000	5.400*
1/26/96	CHFFA Sisters of Providence	1996	63,075,000	5.300*
2/8/96	CHFFA Becoming Independent	1996	1,665,000	5.820*
5/9/96	CHFFA Mark Twain St. Joseph Healthcare	1996A	11,175,000	6.080
5/9/96	CHFFA Catholic Healthcare West	1996A	159,615,000	5.920
5/21/96	CHFFA Catholic Healthcare West	1996B/D	104,900,000	variable
6/25/96	CHFFA Sutter/CHS	1996A	51,500,000	5.900*
	CHFFA Total		949,265,666	

*Indicates NIC as opposed to TIC

Revenue Bonds Sold

July 1, 1994-June 30, 1996

Conduit Financing (continued)

California Pollution Control Financing Authority

Date Sold	Issue	Series	Principal Amount(\$)	Interest Cost(%)
8/2/94	CPCFA Taormina Industries Inc.	1994	9,000,000	variable
8/24/94	CPCFA Tracy Material Recovery	1994	9,500,000	6.612
10/4/94	CPCFA Shell Oil Company	1994A	100,000,000	variable
11/2/94	CPCFA Cal Waste Removal	1994A	7,425,000	6.819*
11/14/94	CPCFA Western Waste Industries	1994A	24,000,000	variable
11/28/94	CPCFA Taormina Industries	1994B	20,685,000	variable
11/30/94	CPCFA Shell Oil	1994B	20,000,000	variable
12/7/94	CPCFA Arco	1994A	45,000,000	variable
6/22/95	CPCFA U.S. Borax (Refund) (PP)	Ser A	10,200,000	variable
10/5/95	CPCFA Burrtec Waste Industries, Inc.	1995A	8,000,000	variable
10/17/95	CPCFA Sanifill, Inc.	1995	10,000,000	variable
10/18/95	CPCFA CR&R	1995	6,385,000	variable
11/16/95	CPCFA Athens Disposal Co.	1995	25,000,000	variable
12/5/95	CPCFA Contra Costa Waste	1995A	11,225,000	variable
12/19/95	CPCFA Gilton (refund)	1995	5,800,000	variable
1/17/96	CPCFA ARCO	1996	44,810,000	5.103*
5/22/96	CPCFA PG&E (Refunding)	1996A/G	987,870,000	variable
6/25/96	CPCFA San Diego G&E (Refunding)	1996A	129,820,000	5.934*
	CPCFA Total		1,474,720,000	

Comparative Statement of Treasurer's Fiscal Accounts Assets

Cash Group	June 1995	June 1996
Cash on Hand	\$0.00	\$ 0.00
Demand Deposits	\$322,904,233.32	\$360,042,302.41
Time Deposits	272,290,000.00	446,995,000.00
Fiscal Agent Deposits	10,035,772.71	13,851,456.39
Accounts Receivable	24,161,090.68	93,966,606.91
Pooled Money Investment Account		
Securities	26,329,629,911.20	25,167,846,738.74
Loans	395,817,239.00	1,166,535,026.54
 Total Cash Group	 \$26,709,029,780.27	 \$26,529,152,526.17

Securities Group

Deposits in State Vault	\$5,481,618,791.00	\$3,561,473,398.00
Accounts Receivable	8,544,743.60	8,435,000.00
Deposits in Trust Companies	41,665,028,757.99	41,678,388,773.45
Securities in Transit		4,385,000.00
Due from Special Deposit Funds and Cash in Banks	3,118,100.00	3,054,450.00
Total Securities Group	\$47,158,310,393 .00	\$45,255,736,621.00

Accountability Accounts Assets

Cash Group	June 1995	June 1996
Accountability for Fund Cash	24,721,469,181.09	24,919,710,374.50
Accountability for Agency Bank Accts	501,989,142.96	391,476,616.51
Accountability for Uncleared Collections	4,317,982.66	0.00
Accountability for Outstanding Warrants	1,447,932,961.73	1,190,184,693.23
Accountability for State Bonds and Coupons Payable	32,821,074.73	27,282,496.76
Accounts Payable	4,997,437.10	498,345.17
Total Cash Group	\$26,709,029,780.27	\$26,529,152,432.23
Securities Group		
Investments	\$40,465,170,257.45	\$39,235,205,368.66
Pledges for Bank Deposits	1,969,265,071.92	2,309,681,220.77
Miscellaneous Pledges	2,825,043,709.34	2,077,471,545.08
General Safekeeping	1,898,831,354.34	1,633,378,500.34
Pledges for Security Loans	0.00	0.00
Total Securities Group	\$47,158,310,393.05	\$45,255,736,634.85